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Improvement

- Execution Speed
- Effective Spread

The following terms are used in the customer disclosure reports for the Cincinnati Stock Exchange, the Boston Stock Exchange, and Nasdaq. A complete description of the terms in the report is available in the text of SEC Rules 11Ac1-5.

Execution QualityMeasurementsSEC Rule 11Ac1-5SEC Rule 11Ac1-6Definitions**A**

**At-the-quote limit orders** – non-marketable buy orders with limit prices that are equal to the consolidated best bid at the time of order receipt and non-marketable sell orders with limit prices equal to the consolidated best offer at the time of order receipt.

**Average effective spread** – a calculation doubling the difference between the execution price and the midpoint of the consolidated best bid and offer for buy orders which is disclosed on a share weighted average basis. A similar calculation is used for sell orders.

**Average realized spread** – a calculation doubling the difference between the execution price and the midpoint of the consolidated best bid and offer five minutes after the time of order execution for buy orders which is disclosed on a share weighted average basis. A similar calculation is used for sell orders.

**B**

**Best ask** – the lowest quoted offer of all competing market centers to sell a particular stock at any given time.

**Best bid** – the highest quoted bid of all competing market centers to buy a particular stock at any given time.

**C**

**Covered orders** – any market order or limit order (including immediate-or-cancel orders) received by a market center during regular trading hours at a time when a consolidated best bid and offer is being disseminated, and, if executed, is executed during regular trading hours. The definition excludes any order for which the customer requests special handling for execution, including, but not limited to, orders to be executed at a market opening price or a market closing price, orders submitted with stop prices, orders to be executed only at their full size, orders to be executed on a particular type of tick or bid, orders submitted on a "not held" basis, orders for other than regular settlement, and orders to be executed at prices unrelated to the market price of the security at the time of execution.

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**I**

**Inside-the-quote limit orders** – non-marketable buy orders with limit prices

that are higher than the consolidated best bid at the time of order receipt and non-marketable sell orders with limit prices lower than the consolidated best offer at the time of order receipt.

## **L**

**Limit order** – an order to buy or sell a specific number of shares of a security at a customer-specified price, or better.

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## **M**

**Market maker/specialist** – a broker/dealer that maintains a firm bid and offer price in a given security by standing ready to buy or sell that security on a continuous and regular basis. The Nasdaq Stock Market is a decentralized network of competitive market makers/specialists. Market makers/specialists execute orders for their own customers, and for other NASD broker/dealers on a principal basis.

## **N**

**Near-the-quote limit orders** – non-marketable buy orders with limit prices that are lower by \$0.10 or less than the consolidated best bid at the time of order receipt and non-marketable sell orders with limit prices higher by \$0.10 or less than the consolidated best offer at the time of order receipt.

## **P**

**Price improvement** – Price improvement indicates an execution at a price lower than the consolidated best offer at the time of order receipt for buy orders and at a price higher than the consolidated best bid at the time of order receipt for sell orders.

## **S**

**Speed of execution** – Speed of execution is displayed in cumulative number of shares executed at various intervals of time (e.g. 0-9 seconds, 10-29 seconds, 30-59 seconds, 60-299 seconds, and 5- 30 minutes).

**Spread** – the difference between the best bid price and the best ask price.

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